

MAY 7, 1993

On January 25, 1993, the Commission issued Order No. 93-8, finding that Duke's 1992 IRP was consistent with South Carolina Commission procedures, and approving Duke's DSM evaluation plan and DSM bidding RFP, and a cost recovery plan. In that Order, the Commission concluded that the Duke IRP process established an appropriate resource mix, including appropriate DSM programs, which

are in compliance with the standards set forth in the original procedural orders issued by the Commission (Order No. 91-885, issued on October 21, 1991 and Order No. 91-1002, issued on November 6, 1991, in Docket No. 87-223-E).

The January 25, 1993 Order in this Docket also provided a procedure for filing new or modified DSM programs subsequent to the Order. The Order included minimum filing requirements and the requirement that the filings be provided to the parties of the existing docket. In response to these requirements, Duke filed several new DSM options which were determined to be cost effective in its 1992 planning cycle. Duke also proposed revisions to several existing DSM programs and pilot projects. Consistent with procedures existing prior to the January 25, 1993 Order, these programs and pilots, according to Duke, were implemented January 1, 1993, with two exceptions. The Water Heating Insulating Blanket Pilot filed by Duke for informational purposes was modified on November 1, 1992 and concluded on February 28, 1993. Duke also plans to implement changes to the High Efficiency Chillers Incentive Program on April 1, 1993. Duke now seeks approval for continuation of these implemented programs consistent with the January 25, 1993 Order. The new or modified programs are as follows:

(A) Duct Sealing Payment Program For New Residential Structures

This is a new program which was analyzed in Duke's current IRP process. The program pays builders to ensure that new home HVAC

systems have minimal air leakage. The program includes requirements for thermal conditioning and a high efficiency heat pump with a Seasonal Energy Efficiency Ratio (SEER) of 11 or more. Duke is seeking approval of this program including deferral accounting for the program payments and advertising expenses.

(B) Manufactured Housing Payment Program For New Residential Structures

This new program pays retailers of manufactured homes for meeting thermal conditioning requirements. Retailers may also receive additional payments for installing a high efficiency heat pump with the SEER of 11 or more. This program was analyzed in the current IRP process. Duke is seeking approval of the program including deferral accounting for program payments and advertising expenses.

(C) High Efficiency Agricultural Ventilation Payment Program

This new program pays owners of agricultural facilities for installing high efficiency fan systems. The program was analyzed in the current IRP process. On April 15, 1993, Duke changed the program description to include additional efficiency testing laboratories and new qualifying fan systems. Duke states that these changes do not affect the cost or cost-effectiveness of the program as filed on February 18, 1993. Duke is seeking approval of the program and deferral accounting for program payments and advertising expenses.

(D) Non-Residential High Efficiency Indoor Lighting Pilot Project

Duke is seeking approval of this new pilot project and deferral accounting for program incentives and advertising expenses. Duke analyzed a non-residential high efficiency indoor lighting program in the 1992 current IRP processes. The 1992 IRP short-term action plan included plans to pilot this program to address uncertainties. The pilot, which is scheduled to run for 18 months, will encourage non-residential customers to switch from less efficient indoor lighting equipment to permanent cost-effective installations of more efficient lighting.

(E) High Efficiency Heat Pump and Central Air Conditioning Payment Program

Duke is seeking approval to revise this program which was included in Duke's 1992 IRP to exclude those structures which received payment for a high efficiency heat pump under the new manufactured housing payment program for new residential structures.

(F) High Efficiency Freezer and Refrigerator Payment Program

Duke is seeking approval to revise this program which was included in Duke's 1992 IRP in order to close the program in 1993, due to new Federal efficiency standards which went into effect in January 1993. In the current IRP process, Duke analyzed a program with efficiencies above the new standards, but the option was not cost effective. Therefore, Duke proposes to close out the program. Duke requests approval to provide payment for appliances sold between January 1, 1993 and March 31, 1993, only for appliances

which meet the new federal standards. According to Duke, the intent of the change is to encourage customers to purchase the high efficiency appliances rather than lower efficiency models, which retailers may be offering at discounts. Federal standards require appliances manufactured after January 1, 1993, to meet the new efficiency standards, but retailers can continue to sell lower efficiency models. Deferral accounting, according to Duke, will continue as approved for this program.

(G) Non-Residential Air Conditioning Load Shift (Cool Storage)
Pilot Project

Duke is seeking approval to modify this pilot project which is scheduled to end on December 31, 1993. This pilot was included in Duke's 1992 IRP. In June 1992, Duke advised the Commission of a modification and increased the payments for feasibility studies. The result was an increase in participation and awareness of the program. Duke now requests approval to decrease the feasibility study payments now that the awareness has been heightened. Duke will continue deferral accounting for this program.

(H) High Efficiency Chillers Incentive Program

Duke is seeking approval to revise this program to make it available to chillers for any type load and slightly change the incentive structure. For these reasons, the name of this program has been changed from High Efficiency Chillers For Air Conditioning Program to High Efficiency Chillers Incentive Program. Duke will continue deferral accounting for this program.

In its letter of February 18, 1993, Duke requests that the Commission make the necessary findings in accordance with its January 25, 1993 Order (Order No. 93-8) which, according to Duke, will allow it to continue with the implementation of the DSM programs as filed including payment of customer incentives and include the specified DSM costs in the previously approved deferral account.

As per the procedure set out in Order No. 93-8, Duke provided the filings to the parties. The January 25, 1993 Order provided that Duke would meet with any interested party of record at the request of the parties to discuss any new or modified DSM program. The Order indicated the parties would have sixty (60) days to resolve any issue. The only party that contacted Duke during the sixty day period was the Consumer Advocate. After several discussions, the Consumer Advocate and Duke agreed that Duke would investigate the development of a cost-effective high efficiency appliance program during the next planning cycle. Further, the Consumer Advocate's office on April 27, 1993 filed a letter with the Commission, stating that the Consumer Advocate's office had reviewed Duke's February 18, 1993 DSM filings. The Consumer Advocate stated that it requested and received additional information to assist them in their review of the filings. The two parties worked in an attempt to resolve the issues and at the time of the April 27, 1993 letter, it was stated that there were no unresolved issues, and that the Consumer Advocate did not object to

the implementation of the new or modified DSM programs, and did not object to the closing of the High Efficiency Freezer and Refrigerator Payment Program as stated above.

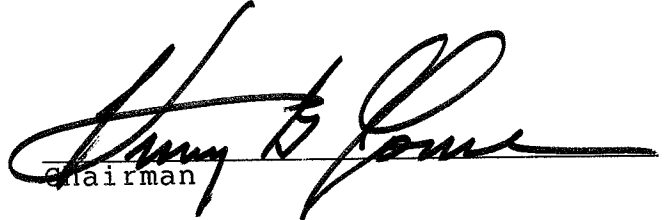
Given these discussions and the reasoning as stated above, the Commission believes that Duke should be allowed to continue with the implementation of the DSM programs as filed, including the payment of customer incentives and include the specified DSM costs in the previously approved deferral account and that, further, the new options, the revisions to the existing programs and the new pilot project are consistent with the established IRP procedures. The Commission finds that the proposed new DSM options are cost-effective based on the Company's current best estimates. Further, the Commission believes that the closing of the High Efficiency Freezer and Refrigerator Payment Program is proper and appropriate as per Duke's filing. The Commission also believes that as per its agreement with the Consumer Advocate's office, Duke should investigate the development of a cost effective high efficiency appliance program during the next planning cycle.

The Commission's decision allowing implementation of the new or modified programs does not preclude the right of a party to question the appropriateness of these DSM programs or their related costs in future proceedings. The Company must comply with established IRP procedures for DSM cost recovery when seeking recovery of DSM related costs.

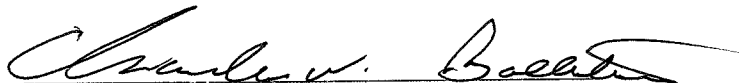
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This Order shall remain in full force and effect until further
Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)